

CONFIDENTIAL

Adm. W. S. Delany
Deputy Director
Mutual Defense Assistance Control
Foreign Operations Administration
Office of the Director
Washington 25, D.C.

Dear Adm. Delany:

You may remember our telephone conversation in regard to your letter of 4 November requesting information for Mr. Sydney Jacques' [redacted] In brief, I indicated that intelligence coverage was not sufficiently comprehensive and detailed to provide the sort of information you had requested, although I did feel it would be possible to prepare sample case studies that would be sufficiently complete and striking to serve Mr. Jacques' purposes.

As a first effort on this, OMA analysts have made an intensive file search on two commodities -- aluminum and copper. From the point of view of "collection date" and "date of information", the materials extend back about 12 months, with a heavy concentration in the period June-November 1953 and with only light coverage of the preceding 6 months. Consequently, considered as a sample of the 12-month period, the information contains a downward bias and can only be used to draw tentative inferences regarding the magnitude of trade in contravention of controls. Copper and aluminum were selected as examples since field reporting on transactions involving these items appears to be comparatively good. While trade in these two items is small in relation to total East-West trade in strategic commodities, I feel that the attached summaries are significant because of the strategic importance of the two items and the general inferences that might be derived with respect to the order of magnitude of clandestine trade. It is interesting, for example, to compare the 30-million dollar figure for diversions, presented in one of the early briefing drafts for the

DOCUMENT NO. 2
NO CHANGE IN CLASS
DECLASSIFIED
CLASS CHANGED TO: TO: 6
NEXT REVIEW DATE: 6/19/89
AUTH: 4070.2

- 2 -

Baranda conference, with a much larger figure which could be inferred from trade in these two items alone.

While I feel that these examples of diversion activity will be useful to Mr. Jacques [redacted]

[redacted] I realize that this does not completely satisfy your general requirement and it is hoped that we will be able to do more along this line over the next few months. The extent to which we can undertake more of these studies will, of course, depend on other priority jobs, such as the currently proposed extensive review of commodities on the control lists. Sam Hansen has indicated that intelligence will probably be obliged to contribute to this review within the very near future and that this exercise will probably extend over a period of several months.

If you have any other thoughts in connection with this problem, I would appreciate your giving me a call.

Sincerely yours,

OTTO E. GUERIN
Assistant Director
Research and Reports

Attachments



25X1A9A

~~CONFIDENTIAL~~